

## DEPARTMENT OF FINANCE BILL ANALYSIS

**AMENDMENT DATE:** June 21, 2010  
**POSITION:** Neutral

**BILL NUMBER:** AB 2778  
**AUTHOR:** Assembly Insurance

### **BILL SUMMARY:** Unemployment insurance: Voluntary Plans

This bill would provide for multiple small businesses to be insured for disability benefits under a single voluntary plan under specific conditions.

### **FISCAL SUMMARY**

This bill would not result in significant costs to the Unemployment Compensation Disability Fund as employers and their employees must agree to and fund these voluntary plans.

### **SUMMARY OF CHANGES**

Amendments to this bill since our analysis of the May 11, 2010 version are technical and do not alter our analysis or position.

### **COMMENTS**

We have no concerns with this bill as it simply provides a means for small businesses to obtain and provide disability insurance to employees in more cost beneficial manner.

Under current law, an employer may apply to the Employment Development Department (EDD) for a voluntary plan for the payment of disability insurance benefits to employees under specified conditions.

This bill would allow for multiple small business employers and employees to voluntarily receive disability insurance coverage under a single plan for the businesses under a "small business third-party administrator" (SBTPA), as defined, when all of the following are met:

- The plan is administered by a SBTPA.
- There is a master trust account in a federally insured bank, which is administered by the SBTPA, each employer has a sub trust account reflecting the employees specific plan contributions, there is no comingling of funds, and bond and securities are on deposit and approved by the director.
- The plan will be in effect for at least a year.
- The rights of the covered employees are greater than those covered by SDI and paid family leave.
- The plan is available to all in state employees and the employees have agreed to the plan.
- Any insurance policies that are part of the plan are approved by the Insurance Commissioner.
- The plan will not result in excessive adverse risk to the Disability Insurance Fund.

Additionally, the bill requires EDD to adopt an application form and process within 60 days of enactment of the bill and would include existing voluntary plans conditionally approved after January 1, 2009. The bill would also provide for participants in these plans to withdraw from participation.

The provisions of this bill would sunset on December 31, 2014.

Analyst/Principal (0250)	Date	Assistant Program Budget Manager	Date
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Department Deputy Director	Date
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Governor's Office:	By:	Date:	Position Approved _____
			Position Disapproved _____

**BILL ANALYSIS** Form DF-43 (Rev 03/95 Buff)

**BILL NUMBER**

AB 2778

		SO	(Fiscal Impact by Fiscal Year)							
Code/Department		LA	(Dollars in Thousands)							
Agency or Revenue		CO	PROP						Fund	
Type		RV	98	FC	2010-2011	FC	2011-2012	FC	2012-2013	Code
7100/EDD		SO	No	----- No/Minor Fiscal Impact -----						0588
<u>Fund Code</u>	<u>Title</u>									
0588	Unemployment Compensation Disability Fd									